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SOURCE Ch'uu-chung Jih-pao.

RESTORATION AND DEVELOPMENT
OF NORTHWEST CHINA ECONOMY, 1950 - 1951

During 1950, the economic conditions in Northwest China showed three definite trends. The outbreak of the Korean War created temporary speculative trends which were brought under control by placing tighter controls on government cash payments and a temporary freezing of bank credits. Production recovery was made in agriculture and in various industries. Transportation and telecommunication systems were restored or expanded. Trade with the Soviet Union was increased.

During 1951, efforts will be made to increase oil, power, coal, textile, cement, and wool production. Food crops will be increased by 894 million catties above 1950. The cotton acreage is slated to be expanded by 500,000 mou to reach the goal of 4,839,000 mou. A number of canals and reservoirs will be repaired to bring an added 500,000 mou of land under cultivation. Forest areas will be increased by 57,615 mou above those of 1950. Animal protection measures will be intensified. In railway construction, the section between T'ien-shui and Kan-ku of the Lung-Hai Railway is expected to be opened, at least for the transport of construction materials during 1951.

Chia Chih-fu

Conferences on finance, agriculture and forestry, water conservation, animal husbandry, industry, labor, trade, banking, transportation, and cooperatives were held in December 1950 and January 1951 by the respective departments of Northwest China Military and Administrative Committee. The highlights of the reports and resolutions, as passed by the Third Session of the Northwest China Military and Administrative Committee, are as follows:

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I. BASIC ECONOMIC CONDITIONS IN 1950

A. Three Decisive Trends

The economic conditions in 1950 were characterized by three decisive trends, each of which was marked by drastic government reform. In March 1950, the nation's finances began showing signs of stability as a result of the improved budgetary system, increased revenue, and a slight budgetary surplus. In June, the relations between public economy and private industry and the relations between public economy and private industry and the relations between labor and management showed greater improvement as the government stabilized production through control of sales. After the outbreak of the Korean War, the government applied tighter controls on government cash payments and once even froze bank credits. Consequently, the speculative trends, a temporary result of the Korean War, were brought under control.

B. Production Recovery

1. Agriculture

Ninety-nine percent of the arable land, 123,920,000 mou (including the 3,180,000 mou reclaimed by the people and the army), was cultivated in 1950. Food acreage constitutes 91.2 percent of the total cultivated acreage with an output of 13,390,000,000 catties, an increase of 1,210,000,000 catties or about 10 percent above 1949, twice as much as the amount stipulated in the original plan. Cotton acreage was 4,340,000 mou, an increase of 610,000 mou above 1949. But the cotton crop failed to reach the quota set because of damages due to drought and insect pests in areas south of the Great Wall. The winter wheat acreage increased 2,500,000 mou over 1949. Acreage for flax, vegetable oil plants, sugar plants also showed a general increase.

2. Water Conservancy

Sixty-nine channels of old canals serving an area of 3.8 million mou were restored and reconditioned, while 15 new canals were constructed to serve 730,000 mou. In addition, 20 small canals and dikes and 1,049 wells were completed with government assistance. The people received 415 units of modern irrigation equipment on loan. Surveys were made and research done for the purpose of improving irrigation methods in Northwest China.

3. Forestry

In 1950, 32 forest stations and 312 forest conservation teams were organized, and 6.1 million trees were planted in government-owned forests and 39.9 million trees were planted in private forests. Railways and construction projects were allotted 38,259 cubic meters of lumber, twice as much as the estimated amount. Forest surveys covered an area of 44 million mou. Experiments with rainy season planting were found to be satisfactory.

4. Animal Husbandry

Livestock raising was hindered under the former regime. In the past 10 years the total livestock population has been reduced in number by 40 percent. In Ningxia horses have decreased 70 percent, cows and camels 50 percent, and sheep 30-40 percent in the past 10 years. The same holds true in Sinkiang and Kinsu. However, the downward trend has been arrested since the liberation. In 1950, 127 epizootic diseases prevention agencies have been set up, and 1,480,000 cubic centimeters of various vaccines and 2,390,000 cubic centimeters of serums have been produced. In the entire area, 1,929,400 head of livestock received

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treatment or examination. In Kansu, during the 9 years preceding the liberation, only 160,000 head of livestock were treated or examined as compared with 620,000 head in 1950. Preventive measures were taken against epizootic diseases throughout most of the area.

5 Mining and Other Industries

Only 2 percent of the nation's industries are located in Northwest China. Once they were corrupt and backward, but since the liberation production has been restored and costs have been reduced. For instance, in the oil-producing area of Yu-men, the extraction of crude oil increased 38 percent above 1949 and was 23 percent above the peak of year of 1942. Gasoline increased 16.9 percent above 1949 and was 10 percent above the production peak in 1947. The kerosene output increased 59 percent above 1949 or 26 percent above the peak year 1944. The amount of gasoline extracted from petroleum increased from the former 36 percent to 53.5 percent by means of using the improved Dobb's cracking process. In 1950, 17 oil wells were drilled with a total depth of 6,025 meters, and some new oil deposits were discovered.

Cotton yarn production increased 43.45 percent, and cotton cloth 9.33 percent above 1949. Productivity increased 19.2 percent per spindle, or 21.07 percent per loom, in terms of cotton yarn. Production costs for textiles dropped an average of 20 percent. The government-owned Northwest China No 2 Textile Company added 4,200 spindles. A new plant with 50,000 spindles is now under construction.

Electric power increased 6.2 percent in 1950 over 1949. Because coal consumption in the power plant was 33.5 percent less and power leakage 53.8 percent less than in the previous period, power supply costs dropped about 50 percent. A power plant was expanded to 2,145 kilowatts, a 50 percent increase in capacity. New power plants, with a combined capacity of 1,500 kilowatts, are nearing completion in Sian.

In general, production in the machine industry increased 24.4 percent as compared with 1949, while costs dropped 23.12 percent. Many new machines were added and shops were reconditioned. The productive efficiency of the coal industry increased 100 percent based on the 1949 figures. The salt production plan was completed with productive efficiency twice that of the preliberation period, and with costs four times lower. Productive efficiency in chemical, leather, and other industries was raised from 20 to 40 percent.

Privately owned textile, flour, match, paper, and coal industries also showed increases in production. For instance, cloth production at the Shen-hsin Textile Company increased 60 percent, as compared with the beginning of 1950; flour production in Shensi and Kansu provinces increased 45 percent in the second half of 1950 as compared with the first half. In the second half of 1950, privately produced coal increased 69 percent over the first half of 1950 while sales were doubled. The output of the machine industry rose 7.8 percent and the output of the handicrafts industries rose 10.3 percent in 1950.

6. Transportation

Railroad transportation showed some progress in 1950. Between the two terminals, Taying and Pao-chi, of the Lung-Hai Railway line, the number of freight carloads increased 63.32 percent, a round trip was shortened from 3.9 days in December 1949 to 2.13 days in 1950 and speed was increased from 9 kilometers per hour in the preliberation period to 14.8 kilometers in 1950. Railway construction and repair also made noticeable progress in 1950. On the T-ien-Pao section of the line, 4,680,000 cubic meters of earthwork and stonework for the railway bed were completed, and 2,810,000 cubic meters in T-ien-Lan section of the line.

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There are 21,523 kilometers of national and provincial highways in Northwest China. Some of these highways were destroyed by Chiang's troops, but 1,523 kilometers of provincial highways were restored in 1950. At present, 13,991 kilometers, including 4,063 kilometers of national highway, have been opened. The populace together with the army restored 500 kilometers of the Tsinghai-Tibet highway which starts at Hsi-ning and extends westward along the Yellow River, and replaced 167 kilometers of the highway from Hsi-ning to Chang-yeh, and 191 kilometers of the Sinkiang-Tibet highway.

There are 357 post offices in Northwest China which represent an increase of 27.9 percent over 1949; and 2,331 postal stations, an increase of 119.8 percent. Mail service distances amounted to 48,400 kilometers, a 28.9 percent increase over 1949. Postal services receipts increased 115 percent in 1950. There are 185 telephone-telegraph offices, providing connections with major Chinese cities outside of Northwest China. The service charges are lower than in other areas.

7 Labor

This field includes the adjustment of labor relations, unemployment relief, and inspection of the safety and sanitary facilities in mines and factories. In Sian, Lan-chow, Pao-chi, and Urumchi, the government handled 774 cases of labor disputes, sponsored 388 labor-management consultative meetings involving 39,000 workers, initiated 39 collective contracts and 22 temporary labor contracts covering 13,000 workers, and gave relief payments or other assistance to 11,000 unemployed workers. During the second half of 1950, the safety and sanitary facilities in 75 private and public plants were inspected. As a consequence, the mortality rate in mines and factories has decreased. For instance, the death rate in the A-kan-shen Coal Mine of Kansu decreased 59 percent. A certain amount of confusion with regard to labor relations has also been corrected.

C. Trade and Commerce

1. Trade Handled by the State

Government trade organizations purchased 800,000 piculs of cotton, 130,800,000 catties of foodstuffs, 23,220,000 catties of worsted yarns, 800,000 pieces of animal skins and hides, 1,720,000 pieces of dried casings, 280,000 catties of bristles, and 4,030,000 catties of miscellaneous native products. Money payments for these purchases were equivalent to 200 million yards of fine white cloth. On the other hand, these trade organizations sold 11.2 million yards of cloth, 54,250 bales of cotton yarn, 870,000 catties of tea, 126 million catties of foodstuffs, and 11.4 million Chinese feet of native coarse cloth. These sales absorbed approximately 740 billion yuan from the money in circulation.

2. Foreign Trade

One of the bases of the new government's foreign trade policy is racial equality. As a result the Kou-lo tribe, who had retreated to Fa-yen-kou-shan for 32 years because of the tyrannic rule of Ma Fu-ling, came to engage in trade with the new government.

The import trade with the USSR, which is of great importance to the people of Sinkiang, was carried out successfully in accordance with the provisions of the import plan in the Sino-Soviet Friendship Agreement (machines and instruments constitute 77 percent, daily necessities 22 percent). The export plan was only 82 percent completed because the collection of certain native products was delayed. The number of business firms in the five capital cities of Northwest China rose 10 percent above 1949 or 20 percent above the preliberation period.

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3. Money and Credit

People's yuan circulate in most of Northwest China except for the remote mountainous districts where the silver dollar is still permitted to remain in use. Bank deposits in the area amounted to 69.07 percent more in December 1950 than in December 1949. The amount of loans was 7.7 times the 1949 figure, and this money was invested mostly in agriculture, irrigation projects, and livestock raising. The amount of money exchanged with other areas during 1950 increased 100 times over the figure for 1949. Prices in Sian, Lan-chow, Hsi-ning, Yin-Chuan, Yen-an, and Nan-cheng rose only 76.7 percent over 1949, as the result of a balanced budget, active trade, and efficient credit control.

D. Standard of Living

Recruitment for military service was suspended in 1950. The agricultural tax was reduced to a point where it constituted 12.5 percent of the total agricultural production of Northwest China in comparison with 15 percent in 1949. The purchasing power of the farmers was greatly improved. For instance, it took 500 catties of foodstuffs, woolens, skins and hides, on the one hand, and industrial goods on the other, it is estimated that public purchasing power increased 60 percent over the preliberation period. It can be safely said that the standard of living in 1950 was better than in 1949.

II. ECONOMIC AND FINANCIAL POLICIES FOR 1951.

A. General Situation

The general situation in 1951 seems to indicate that the Korean War will continue, and Tibet will not yet have been liberated. Moreover, epizootic disease epidemics and famine still prevail in some districts in Northwest China while the economic strength of the rural areas has not yet been removed. But we are hopeful because the work accomplished in 1950 has laid the foundation for further progress. Social order has been restored, land reform covering 1 million people has been in operation since the winter of 1950, and the rent-reduction movement, involving 12 million people, is well under way.

B. Agriculture, Forestry, and Animal Husbandry

The agricultural objectives for 1951 are to increase the production of food and cotton. The food crop should be increased 884 million catties over 1950 to reach a total of 14,420,000,000 catties. The total cotton acreage is slated to be expanded by 500,000 mou to reach the goal of 4,839,000 mou. With regard to cotton, 258,000 more piculs should be raised in 1951 in order to reach the prescribed total of 1,747,000 piculs. Other products such as oil seeds, flax, tobacco, tea, kok-sagyz, etc., will also be boosted according to actual local conditions.

To achieve the above goals, we must pursue those policies which are designed to increase the productivity of labor, such as permitting the grower to retain his own products, recognizing free borrowing and free lending among the people, allowing freedom of employment, offering relief benefits through the production program, distributing the tax burden equally, instituting a rational rate for commodity exchange, etc. Moreover, we should expand all types of cooperatives in the whole area. Thirdly, we should educate the farmers in agricultural techniques so that they will readily accept technical advice and assistance.

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1. Water Conservancy

In the field of water conservancy, restoration and expansion are equally important. Moreover, technique and management should be improved at the same time. Irrigation projects should be worked out in districts where the need for food is more pressing. Thus the 1951 irrigation projects will include the repair of the Ching-hui, Chih-nu, and Pao-hui canals in Shensi, and the Huang-hui Canal in Kansu; repair and extension of the Lo-hui Canal in Shensi, the Huang-yang-ho and Po-chi canals in Kansu, and the Hung-yen-ch'ih and Ho-p'ing canals in Sinkiang; the construction of the new Yo-hui Canal in Shensi, and the Pei-ch'uan, Shen-ku, and Tung-yuan canals in Tsinghai; construction of the flood-control works in the Ch'an Ho, Pah Ho, and Feng Ho in Shensi, the Pin-lin Canal of the Yellow River in Ningxia, and the Wu-lu-mu-chi Ho in Sinkiang, and the drainage of the Erh-hua, Ch'ing-shui-kou, Chung-kan-kou, and T'ang-lai canals in Ningxia. All these projects are expected to bring an additional 500,000 mou of land under cultivation. The government also expects to provide 4,000 water wheels and 1,500 wells for the farmers.

2. Forestry

The 1951 forestry policy is designed to protect the forests, expand of forestation in certain districts, as well as to institute sounder methods of conservation. The government should mobilize the people for the protection of the nation's forests. Part of the forests, totaling 790,000 mou in Kansu, Tsinghai, and Sinkiang, will be closed for conservation. A forestation will be emphasized as a means of soil conservation. A forestation for soil conservation will be carried out in the Ching Ho, Wei Ho, Lo Ho, Wu-ting Ho, and Huang Shui valleys. Forest acreage will be increased 57,615 mou in accordance with the 1951 plan. Under the regulations on lumber supply, Northwest China will supply 120,000 cubic meters of lumber. A plan has also been submitted with provisions for making surveys in the 3.8 million mou of forest land in the southern Ch'in-ling, Tieh-min, Ch'i-lien Shan, T'ung-kuei, and T'ien Shan mountains.

3. Animal Husbandry

Under the 1951 plan, targets for livestock raising are as follows: sheep 6.3 percent increase over 1950, goats 8 percent, cows 2.5 percent, donkeys 2.8 percent, horses 1.5 percent, mules 2.5 percent, and camels 0.5 percent. Manufacturing of various serums and vaccines will be increased as follows: serums 4 million cubic centimeters, vaccines 1.7 million cubic centimeters, and solution for detecting glanders 4,350 cubic centimeters. Preventive inoculations against rinderpest, anthrax, septicaemia, etc., will be given to some 22,396,000 animals and 29,000 head of horses will be inspected for glanders. Finally, everything must be done to stop the spread hoof and mouth disease which is current in most of Northwest China.

C. Industry, Mining, and Transportation

1. Petroleum Industry

Based on the 1950 production, crude oil in the Yu-men oil-producing district is slated to be increased by 24.6 percent, gasoline by 57.6 percent, fuel oil by 162 percent, and lubrication oil 100 percent over 1950. Kerosene will be reduced 6.8 percent in 1951 to produce more gasoline. More refineries, power plants, and oil depots will be built. Twenty seven teams will be sent to make geological surveys. In 1951, 15 oil wells will be tested while 7 wells will begin to produce.

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2. Power Supply

The total power supply will be increased 89 percent above 1950 with lower costs and cheaper prices. Power plants producing a total of 8,380 kilowatts will be set up in Sian, Lan-chou, and Sinkiang. The Northwest China Military and Administrative Committee will assist the Central People's Government in constructing two power plants in Sian, each of which will have a capacity of 6,000 kilowatts. The governments will also make a survey for building an hydraulic power plant somewhere in Lan-chou.

3. Machine Industry

The Northwest China Machine Manufacturing Plant will equip 50 additional machine tools, expand its building, and increase production in 1951.

4. Coal Industry

A production increase of 54.56 percent above 1950 is planned for the coal industry. Machinery and other facilities will be expanded in the A-kan-chen Coal Mine of Lan-chou, Pa-tao-wan Coal mine of Sinkiang, and Ta-t'ung Coal Mine in Tsinghai. The coal mines in Shensi and Ningsia will be reorganized. The survey of the coal mines in districts south of the Great Wall will be continued for the purpose of applying large-scale production methods.

5. Cement Industry

Production will be maintained at the 1950 level. A larger cement plant will be built at Lan-chou.

6. Textile Industry

Cotton yarn production will be increased by 18 percent above 1950, and cloth 57.87 percent. Production of cotton yarn is expected to be increased from 0.91 pound per spindle per 20-hour period which prevailed in 1950, to one pound per spindle per 20-hour period in the second half of 1951.

7. Woolen Industry

Production of woolen fabric will be maintained at the 1950 level while wool output will be increased to 280 percent above the 1950 level. There are plans to expand the wool-washing and processing facilities in Tsinghai Wool-Washing Plant, the newly established Ningsia Wool-Washing Plant, and the Lan-chou Woolen Company. A woolen manufacturing plant of 50,000 spindles and 1,000 looms will be built in Hsien-yang, while a new building for the No 2 Woolen Manufacturing Plant with a capacity of 20,000 spindles will be set up and the No 1 Woolen Manufacturing Plant will be enlarged to a capacity of 21,000 spindles and 258 looms. Construction of buildings for the Sinkiang Woolen Manufacturing Plant of 15,000 spindles is well under way.

According to the plan for 1951, the government's investment in the industries in Northwest China amounts to 18 percent of the total investment for the country as a whole. This is double the present value of industrial investment in that area. Plans for local industries will be made by the respective local governments.

8. Transportation

Emphasis will be put on further improvement of the railways. First, the Ta-ying -- Pao-chi section of the Lung-Hai Railway should be improved. Second, we must continue to improve the Pao-chi -- T'ien-shui section to make

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it suitable for locomotives of 1.6 meters width. Third, we must continue to build the T'ien-shui -- Lan-chou section. It is expected that in 1951, the rail line from T'ien-shui to Kan-ku can at least be used to transport construction materials. Major construction work in that line west of Kan-ku will also begin during 1951.

With respect to highway reconstruction emphasis will be given to the improvement of the national highway system connecting Northwest China to Southwest China, especially the Shensi-Szechwan Highway and Shansi-Shensi Highway. Provincial highways, country roads for horse and donkey carriages, river transportation, etc., should be improved by the respective local authorities in cooperation with the people.

D. Trade and Finance

1. Trade Policy

The trade policy of the government is designed to restore agricultural and industrial production. The essence of that policy is to expand the domestic market for native goods, to encourage cooperatives, and to stabilize prices so as to assure proper profits to producer, middleman, and consumer. Commercial regulations will be strengthened to eliminate speculative activities.

2. Trade Volume

The expected profit from state trade in various commodities is placed at two to six times as much as 1950. The volume of tea to be handled by the state will amount to nine times that of 1950. Taking 1950 as a basis, the increase in state purchases of commodities will be as follows: cotton 110.88 percent, cloth 171.88 percent, cotton yarn 110 percent, foods 213.47 percent, coarse domestic cloth 185.5 percent, various domestic products 733.25 percent, wool and woollen cloth 96.71 percent, animal skins and hides 263.18 percent, casings for making sausages 85.64 percent, bristles 92.85 percent, and Tzu-yang tea 142.86 percent. The purchase of miscellaneous goods for 1951 will amount to 39 billion yuan. The total capital to be invested will be 148.42 percent of 1950.

Sale plans, taking 1950 as 100, are as follows: fine cloth 250.15 percent, coarse domestic cloth 147.19 percent, cotton yarn 279.6 percent, foodstuffs 223.06 percent, industrial equipment 470 billion yuan, and miscellaneous goods 170 billion yuan. Profit from sales is expected to be 326.42 percent greater than in 1950. It is estimated for 1951 that the value of the incoming goods from other areas (including cotton yarn, cloth, tea, industrial appliances and equipment, and miscellaneous goods) will amount to 890 billion yuan, while that of the outgoing goods to other areas (consisting mostly of raw materials as cotton and wool will amount to 1.3 trillion yuan. To accomplish such an enormous task, we must expand our trade, increase capital turnover and eliminate wastage.

The government plans to develop purchasing and marketing cooperatives as the principal forms of cooperatives in the rural area, and consumer cooperatives as the principal form in the city. The 1951 marketing volume of foods, cotton, skins and hides, native cloth, drugs, and other domestic products will reach 220 billion yuan. In turn cooperatives will supply their members with cotton, cotton yarn, cloth, coal, salt, and other daily necessities amounting to 160 billion yuan. Cooperatives will also sell fertilizer to the people amounting to 13 billion yuan and distribute foods, cloth, coal, salt, sugar, soda, and kerosene at cheaper prices to 60,000 members.

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3. Control of Financial Market

Major tasks are (1) to strengthen the leadership of various banks in the financial market, (2) to implement monetary control, and (3) to enable the banks to assume the function of the nation's treasury. All banks in North-west China will increase deposits from 76-133 percent above 1950. Under such a plan, government deposits are expected to increase 68-121 percent, while private deposits are expected to increase 300-400 percent above 1950. Loans are to be increased 100 percent, money transfers 150-200, insurance 100 percent above 1950.

III. FUNDAMENTAL PRINCIPLES FOR FULFILLING 1951 PLANS

The chief weaknesses in the work of 1950 were inconsistency between policy and order, inaccurate estimates and planning, wastage, lack of coordination between related divisions, low efficiency, and corruption. These were the weaknesses that commonly prevailed in most of the government agencies.

The following steps should be taken to assure the fulfillment of the 1951 plan: carrying out self-criticism on all levels of government organization, training cadres of technicians to teach thoroughly the real meaning of our policy, strictly forbidding corruption, improving the auditing system, and finally, improving the leadership.

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